

## Policies and Procedures of Flavon

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These regulations form an integral part (Annex 1) of the Flavon USA Independent Flavon Consultant Agreement.

PLEASE READ THE POLICIES AND PROCEDURES OF FLAVON AND THE INDEPENDENT FLAVON CONSULTANT AGREEMENT BEFORE SIGNING THE AGREEMENT, USING THE FLAVON WEBSITE OR PURCHASING ANY FLAVON PRODUCTS FROM FLAVON

### 1) Introduction

Flavon USA, LLC. – hereinafter referred to as “Flavon” – distributes its products for personal use of customers and Independent Flavon Consultants (IFCs) with the purposes

- a) that Flavon’s customers improve their dietary habits with the high-quality dietary supplements distributed by Flavon and in this way improve their quality of life.
- b) that the Independent Flavon Consultants who take part in the development of the consumer network receive the maximum financial recognition possible, and successful IFCs achieve financial independence.

Neither the employees of Flavon, nor the IFCs can promise any concrete income to any individual, as this depends on each IFC’s personal aptness, efficiency and the work they invest.

### 2) Definitions

**Customer:** a consumer who purchases one carton of Flavon product. The customer may get vouchers only in those months in which he/she has been active. Being active means that the customer has bought his/her activation carton in the given month.

**An Independent Flavon Consultant (IFC/Member)** is one who decides to sell Flavon products and signs an IFC Application. They understand that they must meet certain sales quotas and requirements set forth in these documents to be eligible for commissions and other rewards for selling Flavon products.

**VIP Member/VIP pack:** In case of purchasing 8 cartons of products at the same time the Member can purchase "Flavon" products for a favourable price of a VIP pack. A Member who buys a VIP pack is called a VIP Member. During the 12 months following the month of achieving this status the VIP Members are entitled to:

- receive and use a VIP badge;
- a dedicated place in the first row at the national events of Flavon company group;
- use their own website under the name they choose, according to the conditions referred to in the paragraph *Advertising, promotional materials*;
- have their own ....@flavonmax.com e-mail address chosen by them according to the conditions referred to in the paragraph *Advertising, promotional materials*;
- see the complete turnover of their own network;
- request further special reports in the Back Office;
- use the group e-mail sending function of the Back Office to send e-mails to their own team.

The VIP Member is entitled to a leadership business position as well. There is no rebate for personal turnover after the VIP pack.

**Leadership business position:** Exclusively VIP Members are entitled to it, it is a second position, its ID number starts with "L" and it belongs to the VIP Member's position. The VIP Member's position and the Leadership business position together mean the **Unified Membership**.

The leadership business position will be handled in the same way as the VIP Member's position which means that in case of termination of the VIP Member's position for any reason, the belonging leadership business position will be terminated as well.

Activation carton cannot be purchased for the leadership business position, the conditions of activating the position are together that there was purchased an activation carton for the VIP Member's position and apart from the turnover generated under the leadership business position the turnover of the VIP Member's network reaches at least 300 points on 6 levels in the given month.

**70% rule:** In order to ensure that products are sold on a monthly basis each IFC must certify that 70% of the goods purchased during the preceding month have been sold to a non-involved final consumer or have been consumed before placing a new order.

**Activation carton:** the first carton, equalling 3 points, purchased in a given month. This is the IFC's or the customer's activation carton, which is one of the sales which must be fulfilled in order to receive the commission or a voucher for the monthly turnover. The mere purchase of the activation carton does not constitute active participation in Flavon's network.

**Active participants** will be those IFCs who actively fulfill their sponsorship obligations and will make all reasonable effort to market the products and enlarge their group. This implies that they will participate (and perform if invited to) at periodic intervals, in the presentations and events organized by Flavon company group; will increase the sales of their group and will keep in touch with Flavon via telephone, e-mail or in person. Flavon expects the degree of activity to be proportional to the current commissions and bonuses.

**Carton:** Flavon sells the products in cartons which contain 3 or 4 jars, or 60 sachets, depending on the type of the "Flavon" product. Flavon offers the opportunity to purchase mixed cartons.

**Sponsor:** an IFC who helps others to join Flavon in the appropriate manner through her/his group. The sponsor is the individual who has directly recruited the Member. Sponsors' obligations include the following: to be as active as they are expected to be, to increase sales in order to enlarge their network as much as possible, to assist and support their present group in proportion to their current commission, to co-operate with Flavon and the members of their group.

**Sponsor line:** a chain of IFCs; a particular IFC, her/his active sponsor, the active sponsor of her/his sponsor, and so on, who contribute to the distribution work. The sponsor line is not broken even if any of its IFCs is

inactive, leaves or is suspended or excluded from the network. In this case the sponsorline continues to function by leaving out the inactive IFC ('dynamic compression').

**Group:** a consumer network started/sponsored by an IFC.

**Performance in a given month:** total sales of active IFCs, for which orders and their related remittance are submitted to Flavon by the closing business day of the month – which can be viewed on the website under the 'Month-closing dates' link. When a report, sum of money, membership agreement, etc. arrives at Flavon after the above mentioned month closing time (measured by the hour), it will be accounted and taken into consideration for the following opened month by Flavon.

**Points:**

- a) **3 points:** for the activation cartons sold or purchased for use or sale.
- b) **2 points:** for every carton purchased or sold above the activation carton in a given month.

**Quick Start points:**

The calculation method of the necessary amount of Quick Start points defined in Leadership positions and other type of regulations: the points gained based on the Quick-Starters on the first 3 active levels of the IFC in question.

**Payback:** an allowance earned by the active IFC based on their performance in the given month after the given month-closing, in the form of a voucher or commission (basic or leadership). By means of personal purchases (and/or sales in the case of IFC's) both customers and IFC's are entitled to vouchers, while commission can only be paid out to the IFC. There are two types of commission:

- a) Basic commission
- b) Leadership bonus (differential bonus and extra differential bonus)

**Commission base/base price:** The base of commission payment is not equal with the consumer price of the Flavon products. Commissions are calculated based on base price.

**Month closing dates:** Month closing dates are listed at the website of Flavon, under the "Month closing dates" menu option.

**Recommended price:** the current sale price of one carton for Members can be found in the prevailing product price list of Flavon which can be viewed on the official website of the company.

**Personal turnover:** every purchase or sale registered under the given IFC's name in a month. Types of cartons: activation carton, carton above the activation carton.

**CP owner:** The CP, i.e. Coordination Point, owner can be any IFC who

- 1. is entitled to a commission which is at least a price of one carton of products multiplied by 12 in two successive months, or
- 2. is given a guarantee of payment by an Elite IFC whose group has reached at least Elite level turnover in the previous month.

The CP owner and Flavon make a separate agreement with each other with the purpose that the CP owner supplies products directly to current or future customers/IFCs. CP owners can order 12 cartons of product at once which they report and pay for after they have been sold. CP owners make reports through their Back Office. CP owners transfer the remittance of the sold products to the bank account of Flavon on the day of the sale. The income from the products paid to CP owners is not the property of the CP owners, thus they will not use it as their owns. If CP owners do not transfer the money received to Flavon without delay, they will have committed a serious breach of contract, which will entail the termination of the CP Agreement and the Independent Flavon Consultant Agreement with immediate effect. Flavon will issue and send invoices to customers who are reported by CP owners.

3. Any IFC can become a CP owner without the fulfillment of above conditions if he or she decides to buy 12 cartons to use for inventory.

The conclusion of the CP Agreement is optional in the case of the fulfillment of any of the 3 conditions above. With the conclusion of the Agreement Flavon does not take, nor provide the CP owner any other advantage over and above the fact that Flavon consigns products to the CP owner. The prices of the products and the calculation of the commission paid to the CP owner are in accordance with the fixed general rules of the current Policies and Procedures.

It is forbidden to sell the products in shops or market them via the Internet. IFCs may only distribute Flavon products via direct selling.

**Data processing fee:** Flavon applies a Data processing fee of US \$3.00 for all commission payments. This fee consists of the costs for making commission payments which includes but is not limited to, a transaction fee, labour costs, paper supplies, printing, postage, etc. The fee will be deducted at each commission payment from the total of the commission.

**Back Office:** Members, using their ID number and password which was issued when joining Flavon, can log in to the Back Office which is available here: [www.flavonmax.com](http://www.flavonmax.com). Members receive up-to-date information about their own and the network's turnover, they can order products, manage CPs, download the necessary documents and receive current information about Flavon via the Back Office. Members can see the purchases of their network on 6 levels, VIP Members can see the purchases on 12 levels, and Presidency Members can see the purchases on 20 levels.

Presidency Members can request Flavon in writing that the details of their own network - including the Members' names, their purchases, the date of joining – be unavailable to their upline sponsors. In the case of a positive decision in this regard Flavon informs the upline leaders – without any explanation – about the restriction of use of their Back Office.

Flavon can revoke the access to Back Office at any time without any explanation: guaranteeing access to Back Office is not an obligation of Flavon but simply a way in which Flavon wishes to help and make the work of the Members easier.

Members are responsible for treating all the information they have acquired via the Back Office as business secret and this information may not be revealed to any third party. The breach of this obligation will imply the immediate exclusion of the Member and the immediate termination of the Independent Flavon Consultant Agreement.

### 3) Commission Payment and Voucher

The IFCs can only collect their commissions indicated on the Certificate of Fulfilment sent by Flavon after signing an Independent Flavon Consultant Agreement, in accordance with the regulations of the given Flavon company.

Commission to the IFC is paid out by Flavon only if there is a personal purchase or sale above the activation carton, or there is purchase or sale in the group. The payment procedure is the following:

Flavon will provide the Certificate of Fulfilment based on the sales of the given calendar month for each IFC eligible for commission. Flavon will send the Certificate of Fulfilment electronically to the IFCs by the 15<sup>th</sup> day in the month following the month of purchase. If the IFCs do not agree with the content of the Certificate of Fulfilment or it does not correspond to their calculations, IFCs have 15 days following the date of receipt to inform Flavon about the discrepancy encountered. Flavon will not take any complaint received thereafter

into consideration. The payment of commissions starts from the 15<sup>th</sup> day in the month following the month of purchase.

**The requirements for paying out commissions:**

1. An Independent Flavon Consultant Agreement properly filled out and accepted by Flavon.
2. The IFC has achieved at least 3 points in the given month.
3. Active (see above for the definition of an active participant) and legitimate participation in Flavon.

An **express condition** to the IFC getting the commissions paid, earned under this Agreement, shall be that the IFC submits a Commission Payment Form to Flavon, (on Flavon's approved form), properly completed. A Commission Payment Form is valid for 1 year.

**Registering Commissions:** 65% of the base price can be paid back to IFCs, 60% as basic commission and 4%+1% as leadership bonus. Basic commissions cannot be blocked, while the leadership bonus can be blocked.

Flavon gives **vouchers** to the customers and the active IFCs eligible for commission, which in the latter case is counted against the IFC's commission. For the turnover of one month maximum 3 vouchers may be issued, their amounts depend on the turnover of the given position. Vouchers have a minimum of \$84.00 (excl. taxes) per carton and can be used once for the purchase of any Flavon products. Unused vouchers realized in different months can be combined into a single voucher down to \$84.00 (excl. taxes) per carton and used within (and only within) the 6 months after it was created. Flavon gives vouchers to the customers during the months in which they bought their activation carton.

In the case of an IFC, the commission will automatically be paid out by Flavon to the IFC's bank account indicated in the IFC Agreement. IFCs are free to decide whether they use the voucher or want the amount (or part of the amount) to be paid.

The minimum transferable commission is US \$32.00 (excl. taxes). A data processing fee of US \$3.00 is charged for every commission transfer.

#### **4) Income types:**

**These products may not be marketed or sold in Internet web-stores, Flavon products can only be traded in Direct Marketing.**

**Basic commission types:**

**1. Rebate for personal turnover:** there is no rebate on the first carton of products (i.e. the activation carton) purchased or sold in the given month. If the IFCs purchase more cartons in a given month – except a VIP pack -, they get a 20% personal rebate per carton from the base price of each carton above the activation carton after the closing of the given month, irrespective of the date of joining the network.

**2. Quick Start:** in the entry month of the new IFC and the month following that, the sponsor line on 3 active levels is entitled to 20-20-20% commission for this activation carton (3 points).

Flavon pays 20% individual rebate to the quick-starting IFC for every carton purchase – except the VIP pack - above the activation carton. In this case, 40% is divided on the sponsor line, since Flavon has already paid 20% as personal rebate from the 60% basic payback.

**3. Income by levels:** every active IFC is entitled for a commission of 5% on 12 active levels for the activation cartons of IFCs in their group who got through their Quick Start period.

Flavon pays a 20% personal rebate for each IFC's purchases above the activation carton, so in this case the sponsor line is eligible for 40% commission on 12 active levels in total.

Conditions of entitlement to commission: purchasing 1 carton Flavon product monthly (US \$180) in your own name and position (this is the activation carton). There is no other requirement or hidden regulation!

#### **4. Recruitment Incentive Program:**

- a) The IFC can purchase 2 cartons of products for the price of 1 carton, if on 3 active levels the points given for the new IFCs in their Quick Start period reach **40 points** in a given month.
- b) The IFC can purchase 3 cartons of products for the price of 1 carton, if on 3 active levels the points given for the new IFCs in their Quick Start period reach **80 points** in a given month.
- c) The IFC can purchase 4 cartons of products for the price of 1 carton, if on 3 active levels the points given for the new IFCs in their Quick Start period reach **120 points** in a given month.

These are not counted as purchased cartons. They should be used for the IFCs' own consumption or for promotion. Therefore they do not have any point values!

#### **5) Leader ranks and leadership bonuses**

**There are 8 different leadership ranks in the Flavon network and the 7<sup>th</sup> rank comprises 5 further ranks.**

The given leadership rank is achieved by members who fulfill the requirements of the given qualification regarding the defined amount of monthly turnover in points.

In the case of qualifications, when calculating points, Flavon takes into account the group turnover of the members on 6 active levels and – in the case of personal purchases – 25 points gained for their first 12 cartons. The basis used to calculate the leadership bonuses is the same as for the commission point system; meaning, that 3 points are gained for the first carton purchase, and 2 points are gained for every additional carton.

- a) **Team Leader:** those active IFCs whose group on 6 active levels reaches 100 points in a given month. They are eligible for the "Team Leader" title and pin, and can participate with their partner (adult family member) in one of the national events of Flavon after they first qualifies for this rank.
- b) **Team Leader Plus:** those active IFCs whose group reaches 250 points on 6 active levels in a given month. They are eligible for the "Team Leader Plus" title and a **1% leadership bonus** for the turnover of their **12 active levels** (on 3 or 12 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC with a leader rank (i.e. "Team Leader Plus," "Elite," "Elite Plus," "Diamond Elite," "Diamond Elite Plus," or "Presidency") who also qualifies in the given month.
- c) **Elite:** those active IFCs whose group reaches 500 points on 6 active levels in a given month. They are eligible for the "Elite" title and golden pin and a **2% leadership bonus** for the turnover of their **12 active levels** (on 3 or 12 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC with a leader rank who also qualifies in the given month.
- d) **Elite Plus:** those active IFCs whose group reaches 750 points on 6 active levels in a given month. They are eligible for the "Elite Plus" title, and a **2% leadership bonus** for the turnover of their **12 levels** (on 3 or 12 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC with a leader rank who also qualifies in the given month.

- e) **Diamond Elite:** those active IFCs whose group reaches 1000 points on 6 active levels in a given month. They are eligible for the "Diamond Elite" title, a golden pin with a diamond and for a **3% leadership bonus** for the turnover of their **12 active levels** (on 3 or 12 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC with a leader rank who also qualifies in the given month.
  
- f) **Diamond Elite Plus:** those active IFCs whose group reaches 1750 points on 6 active levels in a given month. They are eligible for the "Diamond Elite Plus" title, and a **3% leadership bonus** for the turnover of their **12 active levels** (on 3 or 12 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC with a leader rank who also qualifies in the given month.

The condition for paying out the leadership bonuses in the above cases is collecting 40 qualification points on 3 active levels in the given month.

- g) **Presidency Leader:** those active IFCs whose group reaches 2500 points on 6 active levels in a given month. They are eligible for the "Presidency Leader" title, a golden pin with two diamonds and a **4% leadership bonus** for the turnover of their **12 levels** (on 3 or 20 active levels depending on the fulfillment of the conditions fixed in point 4), apart from any element which is blocked by an IFC of leader rank who also qualifies in the given month. For Presidency Leaders it is not necessary to collect qualification points on 3 levels to receive their leadership bonuses.

Ruby, Emerald, Sapphire and Platinum Presidency Leaders are further entitled to a 1% extra monthly bonus based on the turnover of that part of their own group which is not blocked by an IFC who is also a qualified leader of the reference month, to an unlimited depth.

i) **Ruby Presidency Leader:** those active IFCs who fulfill the requirements of "Presidency Leader" and have at least one Presidency Leader on their 6 levels (considering the closest to him on each line) and have a turnover of at least 1000 points on 6 levels not including the Presidency Leader's line in a given month. They are eligible for the "Ruby Presidency Leader" title, a ruby gold ring and a 4% extra leadership bonus on the turnover of their 20 levels (on 3 or 20 active levels depending on the fulfillment of the conditions fixed in point 4), which is not blocked by an IFC qualifying for a leader rank in the given month.

ii) **Emerald Presidency Leader:** those active IFCs who fulfill the requirements of "Presidency Leader" and have at least 3 Presidency Leaders on their 6 levels in different lines (considering the closest to him in each line) and have a turnover of at least 1000 points on 6 levels not including the Presidency Leaders' line in a given month. They are eligible for the "Emerald Presidency Leader" title, an emerald gold ring and a 4% extra leadership bonus on the turnover of their 20 levels (on 3 or 20 active levels depending on the fulfillment of the conditions fixed in point 4), which is not blocked by an IFC qualifying for a leader rank in the given month.

iii) **Sapphire Presidency Leader:** those active IFCs who fulfill the requirements of "Presidency Leader" and have at least 5 Presidency Leaders on their 6 levels in different lines (considering the closest to him in each line) and have a turnover of at least 1000 points on 6 levels not including the Presidency Leaders' line in a given month. They are eligible for the "Sapphire Presidency Leader" title, a sapphire gold ring and a 4% extra leadership bonus on the turnover of their 20 levels (on 3 or 20 active levels depending on the fulfillment of the conditions fixed in point 4) which is not blocked by an IFC qualifying for a leader rank in the given month.

iv) **Platinum Presidency Leader:** those active IFCs who fulfill the requirements of "Presidency Leader" and have at least 10 Presidency Leaders on their 6 levels in different lines (considering the closest to him in each line) and have a turnover of at least 1000 points on 6 levels not including

the Presidency Leaders' line in a given month. They are eligible for the "Platinum Presidency Leader" title, a platinum ring with a diamond and a 4% extra leadership bonus on the turnover of their 20 levels (on 3 or 20 active levels depending on the fulfillment of the conditions fixed in point 4) which is not blocked by an IFC qualifying for a leader rank in the given month.

**h) Double Presidency Leader:** those active IFCs whose network reaches 5000 points on 6 active levels in a given month. They are eligible for the "Flavon Double Presidency Leader" title, for the bonuses and incentives based on his/her Presidency rank, and for a unique, gilded Hollóházi porcelain vase with their name on it.

**Losing a leader rank:**

Elite, Diamond Elite, Presidency leaders lose their leader ranks after the monthly closing if they

- are inactive two months in a row from the year of qualification
- do not buy their personal activation carton for the fourth time – between 1<sup>st</sup> January and 31<sup>st</sup> December from the year of qualification

The day the IFCs lose their leader rank they also lose all the entitlements relating to the rank including any trainings, events and trips which the IFCs have already qualified for – and which were a condition of acquiring the leader rank but which they have not participated in yet as well as any prizes associated with other qualifications.

**Blocking leadership bonus:**

Leadership bonuses (4%+1%) can be blocked. The degree of blocking is the degree of the leadership bonus that is given to the leaders according to their rank (e.g. if blocked by a qualifying Elite leader, a Diamond Elite leader is given a 1% leadership bonus for the blocked line instead of a 3% bonus. For the unblocked line(s) she/he still receives 3%).

Leaders are Flavon's partners of leading ranks who, with their behaviour in the network make a major contribution to the appearance and image of the Flavon network and its good reputation. If a Member of any leading rank harms the good reputation of Flavon by statements or behaviour, or violates the Company's Code of Ethics, Flavon is entitled to deprive the Leader of the leading rank of the reference month for a period of 1 to 6 months – depending on the severity of the behaviour –, during which the Leader is not entitled to the leadership bonus of that period.

## 6) Product Ordering

The **minimum order** is one carton of product.

### Methods of Ordering

a) **One-off order:** orders can be placed by telephone, e-mail or via the Back Office. The price of the products together with the delivery cost should be paid by credit/debit card or transferred/deposited to the bank account of Flavon. The ordered products are shipped by Flavon via a courier service.

Current **delivery** costs can be found at [www.flavonmax.com](http://www.flavonmax.com). For shipping information you can call +1-386-872-3606 or consult our website ([www.flavonmax.com](http://www.flavonmax.com)).

The ordered products are shipped only after money is received by Flavon.

If an order is placed at the end of the month, it counts as an order for that particular month only if the payment arrives to the bank account of the company before Flavon closes the month. For further information please visit our website and click on "Month-closing dates." If a report, sum of money, IFC Agreement, etc. arrives to Flavon after the above mentioned month closing time (punctually to the hour), it will be accounted and taken into consideration for the following month by Flavon.

## 7) Limited Warranty



An IFC may return any purchase within fourteen (14) days from receipt of any product by sending a withdrawal notice to Flavon (by post: c/o Friebis & Associates: 3890 Turtle Creek Drive, Suite B., Port Orange, FL 32127 or via e-mail: [florida@flavongroup.com](mailto:florida@flavongroup.com)). After such 14 days all sales are final.

Flavon products are warranted to be free from defect and consistent with Flavon quality standards for a period of ninety (90) days from the date of delivery to the IFC. The IFC must notify Flavon within such ninety-day-period by writing or e-mail and return the defective product to Flavon within ten (10) days of notifying Flavon of the defective product. Flavon's liability for any defective product shall be limited to the purchase price of the defective product. Any claim for a defective product asserted more than ninety (90) days after IFC's receipt of such product shall be denied.

There are no other warranties given by Flavon to IFC, except for the limited warranty as stated above. Flavon disclaims all other warranties, either express or implied, including any warranties of fitness or any particular purpose or merchantability. In no event shall Flavon be liable for any consequential damages.

### **8) Independent Flavon Consultants (IFCs)**

Every IFC is an independent contracting party who are obliged to run their businesses according to the "Independent Flavon Consultant Agreement" and the laws of their particular country. An IFC should be an adult natural person.

**IFC:** Should there be any change in the IFCs' private data, they are responsible for sending a written notification of that without delay. If no written notification is sent, Flavon shall not assume any liability for any resulting undue payment or transfer. In the absence of such notification Flavon is free to terminate the agreement immediately.

Every IFC can be a Member of the Flavon network only once (and only as a natural person). Spouses, life partners or relatives living in the same household can be separate contracting parties, but they can only be on the same sponsor line, sponsoring each other. Spouses are responsible for each other's position and will be treated together (Unified membership). If information about any Member violating this point comes to the notice of Flavon, the concerned Member will be transferred below the position of his/her spouse, life partner or relative living in the same household.

**Position transfer:** The IFC status in the Flavon network is bound to the person. It can only be transferred after receiving written consent from Flavon, which the IFC must apply for in writing, and which will be decided by Flavon within 30 days of its submission. Unified memberships can be transferred together only. When the IFC's status is transferred, the position of the former IFC is terminated, the group is lost, and they cannot join any other IFC within 1 calendar year. However, they can join their former sponsor at any time as a new IFC. Only the original owner is eligible to collect the commission accumulated on the position before the transfer. The new owner of the position can only collect the commission accumulated after this event. Commissions cannot be collected retrospectively. The conclusion of false, fictitious transfers involving malicious intent is strictly forbidden. If IFCs conclude such an agreement or contribute to its conclusion, it shall result in their immediate exclusion.

Rules related to transference also govern **exchange of IFC positions**. The only exception is that the exchange will not result in the termination of the IFCs' positions because they are simply exchanged. Flavon may reject any request to exchange membership positions when there is ground for assuming that the underlying intention is sponsor shift, structural modification or regrouping.

**Sponsor change:** IFCs can change their sponsor only with the permission of Flavon. IFCs should submit a written request regarding the sponsor shift, to which they attach the signatures of their upline sponsors on 12

levels. If the sponsor line is not that long, the signatures must be collected up to Flavon inclusively. IFCs requesting the change will be deleted from their earlier position and will be allowed to join their new sponsor immediately. However, they cannot take any of their recruited IFCs, nor their network with them. They will be taken over by the IFC's former direct sponsor. Flavon may reject any sponsor shift request when there is ground for assuming that the underlying intention is structural modification or regrouping. Unified memberships can request sponsor change together only.

**Termination of the IFC Agreement:** An IFC can resign from the IFC Agreement at any time by submitting a written resignation. If former IFCs intend to become Members of the Flavon network again, they are free to join anyone if one calendar year has passed after they have resigned. If they wish to join again within one year, they can rejoin their former sponsor exclusively as a new IFC, but they cannot get their group back.

**Termination of the IFC Agreement:**

- any party can renounce the agreement by the end of the reference month, by submitting a written declaration of renunciation;
- if a breach of contract occurs, one of the parties can terminate the Independent Flavon Consultant Agreement with immediate effect by sending a written notification to the other party, if the other party has seriously violated the content regarding their duties as regards the Independent Flavon Consultant Agreement, the current Policies and Procedures, the Online General Terms and Conditions, the Code of Ethics or the IFC Agreement. From the IFC the following are serious violations of contract:
  - o to illegally advertise the products on the Internet or in pharmacies;
  - o discounting;
  - o the evasion of the network structure, or the attempt at such evasion by creating fake contracts;
  - o to make statements regarding the curative properties of the products;
  - o to make statements violating the reputation of Flavon;
  - o if IFCs or their related company, or any member or representative of the company, or their close relatives join a company working with direct sales system directly or through an enterprise, without the prior written consent of Flavon.

**Buy Back Policy.** If an IFC decides to leave the business and terminates the IFC Agreement, Flavon will buy back marketable inventory, start-up kits and other marketing materials (if such items were either required to be purchased or if a commission was paid to some on their purchase), at 90% of the original cost. The IFC shall be responsible to deliver the goods to Flavon, all such items in good condition, at the IFC expense, as a condition precedent to repurchase within one year from the date of purchase.

**Exclusion:** If a breach of contract occurs, Flavon may, at any time and with immediate effect, terminate the IFC Agreement by sending a written notification to the IFC. If notification has proved to be impossible because the addressee failed or refused to receive any documents or the address of the addressee cannot be established, the exclusion letter shall be deemed to have been notified on the 5<sup>th</sup> working day following the second attempt at delivery of the notification by post. Neither an IFC, nor any relative of an IFC who has been excluded due to breach of contract can join the Flavon network within one year after the exclusion, and their IFC status lapses. Immediate exclusion can be a result of a serious breach of the provisions laid down in the IFC Agreement, the Policies and Procedures, especially if the IFCs will not fulfill their obligations, will not maintain relations with Flavon or will not cooperate.

Neither Members nor any relative of Members who have been excluded by Flavon due to breach of contract can join the network within one year after the exclusion, and their Membership status lapses.

**Presumption of service**

Flavon will send a written registered letter to the excluded IFC's registered address regarding the violation of the regulations which resulted in exclusion. The registered letter should be considered as delivered 3 working days after being posted.

In the Flavon network the violation of any obligation implies the obligation of a penalty payment and refund of damages. The penalty is ten times the commission of the previous month, or, if the starting time of the violation of any obligation cannot be determined, the penalty is ten times the average of the commissions generated in the last 12 months. The entitled party can claim a refund on her/his damages above the penalty.

**Losing one's group:**

If IFCs do not buy their activation carton for the reference month over a 6-month-period, they will be qualified as Consumers by Flavon and will lose their whole group – to an unlimited depth – after the closing of the 6<sup>th</sup> inactive month. In this case the group goes up by one level in the sponsor line, to the next currently active IFC. After losing their group, the IFCs do not have the chance to get it back, but they can become a sponsor again by building a new group.

**Automatic termination:** IFCs who are inactive over 12 consecutive months, i.e. does not have a minimum monthly purchase of one carton (activation carton) will lose their membership status in the Flavon network and will be deleted from the system by Flavon. The network of the deleted position – according to the deletion - goes up by one level in the sponsor line.

**Other MLM networks:**

If an IFC or a company at which the IFC is representative, member or employee carries out a similar commercial agent activity (i.e. direct selling), IFCs shall inform Flavon about their direct selling activity in advance, before signing the IFC Agreement. Having taken into consideration the information supplied, Flavon is entitled to refuse to sign any contract. If an IFC or a company at which the IFC is representative, member or employee, wishes to join another direct selling company and intends to sign a contract similar to the present one (as a commercial agent) with another company, IFCs shall obtain the prior written consent of Flavon. Should IFCs fail to observe the provisions laid down above, they will commit a serious breach of contract, which will result in immediate exclusion. If the IFC is owner or senior official in any other company that operates in a Network Marketing-system and/or distributes dietary supplements this will also result in disqualification.

**Advertising, promotional materials:** IFCs can only use publications, prospectuses, information sheets, brochures, books, DVDs and websites released by Flavon. These materials cannot be altered and must be applied for proper use and purposes. Creation of own materials and advertisements should be approved by Flavon in all cases.

It is forbidden for IFCs to state that the product has any healing or preventive effect and provide misleading information. Everyone is free to speak about their own experiences in connection with the products. Any kind of statement to the press or media (either in written or electronic form) in connection with the products or the network is forbidden without the written permission of Flavon. IFCs accept all the consequences of any unfair market behaviour. With regard to this behaviour, Flavon holds no responsibility.

IFCs are given the possibility to create a general presentational webpage (IFC webpage) via the Back Office. The content of the IFC webpage can be edited in the settings of the Back Office. Webpages of this sort can be accessed under the [www.flavonmax.com](http://www.flavonmax.com) domain (e.g. [www.flavonmax.com/georgesmith](http://www.flavonmax.com/georgesmith)). Flavon assumes no responsibility for the contents of IFC web pages. If an IFC publishes website contents that are contrary to law or the Policies and Procedures of Flavon, Flavon is entitled to modify the website content. In the event of serious or repeated infringements Flavon shall delete the presentational webpage from the system and terminate the IFC's status. Marketing activities on other websites are not permitted. IFCs are eligible to promote Flavon on social media and/or video sharing portals according to the following conditions: obtaining prior permission of Flavon; the shared posts shall have positive content about products; cannot be offensive, unethical or mischievous.

The opportunity to conclude an **E-Mail Address Licensing Contract** with Flavon, according to which contract the IFC can request an electronic mail address starting as desired (but in accordance with the rules for using e-mail addresses) and ending with flavonmax.com (e.g. [georgesmith@flavonmax.com](mailto:georgesmith@flavonmax.com)) is provided for IFCs of

leader rank for an unlimited period of time, and for VIP Members for a defined period of time of a maximum of 1 year – or until the termination of the IFC's membership.

**Cross-line sponsoring:** if IFCs are aware of the fact that their potential new Member is already a Member of the Flavon network in another sponsor line, and in spite of this they sponsor him/her as a new Member, they violate the company's interests. Should IFCs join the system more than once, they can only retain their first position, and as soon as Flavon notices the irregularity, the company will delete them from their other positions.

IFCs are liable for compliance with USA laws, the regulations of the Direct Selling Association, and the Code of Ethics, and must proceed accordingly during their membership.

The violation of any obligation described above results in the exclusion of the IFC and involves all its consequences in all cases.

Sponsors who take part in cross-line sponsoring and i.e. fictional contracting, will lose their right for commission for 1-6 months depending on how many cross-line sponsoring they take part in, after Flavon becomes aware of the breach.

### **Training events**

Participating in the training events organized by Flavon is free in every case. Conditions for participating in certain special training events are published by Flavon at <http://www.flavonmax.com>. The cost of travel to and staying at the training events are borne by participants themselves, unless Flavon assumes these costs according to the fulfillment of the conditions defined in the regulations, or in cases defined under the "Leadership ranks and bonuses" menu.

Applying for the training events and booking rooms are possible through Flavon's Customer service, through telephone, by e-mail, or personally two weeks before the event at the latest.

Accommodation booked related to the training events are ordered by Flavon under its own name from the provider of accommodation, and they are invoiced to the participants. Therefore, participants are obliged to pay the price of the accommodation to Flavon on the day of the event the latest.

## **9) Other provisions**

### **Independent Contractor**

As distributors the IFCs are independent contractors. IFCs are not employees of Flavon and may not do anything that would lead someone to believe that they are employees or agents of Flavon.

### **State and Federal Laws**

IFCs are responsible for complying with all state and federal laws concerning the operation of a Distributorship or distribution of Flavon products. IFC shall be familiar with the applicable laws of the states in which they operate their Distributorship.

### **Integrated Contract**

The Contract sets forth the entire agreement between Flavon and the IFC and supersedes any and all prior oral or written agreements or understandings between Flavon and the IFC. The Contract may not be altered or amended except as provided in the Policies and Procedures as amended from time to time or by other written notice by Flavon. Should any discrepancy exist between the terms of the Contract and verbal representations made to any IFC by any Flavon employee, the terms and requirements of the Contract will prevail.

### **No Waiver**

The failure by Flavon to exercise any right under the Contract shall not operate as a waiver of such right.

### **Contract Severance**

Any provision of the Contract that is judicially invalidated or otherwise rendered unenforceable in any jurisdiction is ineffective only to the extent of such invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated and unenforceable provision of the Contract will not invalidate or render enforceable any other provision of the Contract, nor will such provision of the Contract be invalidated or rendered unenforceable in any other jurisdiction.

### **Assignment of Independent Flavon Consultant Agreement**

No Independent Flavon Consultant Agreement may be assigned to any other person or entity without the prior written consent of Flavon.

Every IFC is obliged to study the Policies and Procedures of Flavon, which they were given when signing the IFC Agreement.

Flavon reserves the right to modify, update, add to, remove, revise or otherwise change the Policies and Procedures in whole or in part. The modification comes into effect on the day it appears on the company website. The most up-to-date version of the Policies and Procedures will be available on the website and will supersede all its previous versions.

Flavon will send newsletters to the e-mail address provided by the IFC in the IFC Agreement. By signing the IFC Agreement the IFC agrees to be sent newsletters regularly.

Furthermore, IFCs consent that

- photos and videos of IFCs taken at events organized by Flavon can be published on the internet – on its own homepage or on other homepages – and also can be published in its marketing materials. The IFC acknowledges and agrees that he/she will not be entitled to any compensation as a result of Flavon's use of any such similar or identical material;
- personal data given to Flavon can be managed and stored according to the data protection declaration issued by Flavon and also can be transmitted to a data controller or data processor in a third country.

**Feedbacks:** we are pleased to hear from consumers or consultants and welcome comments regarding Flavon's services and products. Nevertheless, our company policy does not allow us to accept or consider creative ideas, suggestions or materials other than those specially requested.

The valid Privacy statement of Flavon always constitute a substantial part of the current regulations and can be checked at the official website.

### **Provisions staying effective after termination of contract**

In the event of any termination of this Agreement, the following provisions shall remain in full force and effect: 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of the Independent Flavon Consulting Agreement and paragraphs 1, 2, 3, 4, 5, 6, 8 and 9 of these Policies and Procedures.

### **Waiver of Jury Trial, Governing Law and Venue:**

The parties waive any right to a jury trial for any action arising out of or related to the Independent Flavon Consulting Agreement or these Policies or Procedures and expressly waive any jurisdiction to federal court based upon any diversity of citizenship. IFC acknowledges and agrees that it has minimum contacts within the State of Florida and agrees that the courts in the State of Florida shall have jurisdiction over the IFC.

All disputes between the consultants and Flavon shall be governed by Florida law and resolved by binding arbitration in accordance with Flavon's dispute resolution policy. Volusia County, Florida, shall be deemed the sole and appropriate place for jurisdiction and venue of any dispute between Flavon and the Independent Flavon Consultant.

Port Orange, FL, 01 January, 2020